

Message Text

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TO SECSTATE WASHDC 5394
INFO ALL EC CAPITALS
AMEMBASSY PARIS
USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY
PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

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SUBJ: THE EC COUNCIL OF AGRICULTURAL MINISTERS MEETING -
MARCH 6 - 7, 1978

REFS: (A) BRUSSELS 2937; (B) EC A-42; (C) BRUSSELS 3524

1. SUMMARY: THE EC COUNCIL OF AGRICULTURAL MINISTERS, DURING ITS MEETING ON MARCH 6 - 7, DEALT ALMOST EXCLUSIVELY WITH AGRI-MONETARY ISSUES, PARTICULARLY THE ISSUE OF INCREASED COMPENSATORY AMOUNTS APPLICABLE TO THE FRENCH FRANC. IN AN EXTENDED RESTRICTIVE SESSION, THE AGRICULTURAL MINISTERS REACHED AGREEMENT TO TEMPORARILY STABILIZE THE FRENCH MCA'S THROUGH A 1.2 PERCENT DEVALUATION OF THE FRENCH GREEN RATE AND A REVISION OF THE METHOD OF CALCULATION OF COMPENSATORY AMOUNTS. BECAUSE OF THE PROTRACTED DISCUSSIONS ON AGRI-
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MONETARY REFORM, THE AGRICULTURAL MINISTERS CHOSE TO POSTPONE ANY SIGNIFICANT DISCUSSIONS OF THE 1978/79 PRICE PACKAGE OR THE COMMISSION'S PROPOSED MEDITERRANEAN REFORM PACKAGE UNTIL APRIL. THE COUNCIL TOOK NOTE OF SEVERAL NEW SUPPLEMENTARY PROPOSALS IN THE BEEF AND VEAL, MILK AND STARCH SECTOR AND EXTENDED FOR ONE MONTH, UNTIL MAY 1, 1978, THE MARKETING YEAR FOR CERTAIN PRODUCTS. THERE WAS A BRIEF

EXCHANGE OF VIEWS ON PROPOSALS AND GUIDELINES FOR THE MEDITERRANEAN REGION AND ON COMMISSION PROPOSALS RELATING TO MILK MARKETING BOARDS IN THE U.K. AND NORTHERN IRELAND. THE NEXT AGRICULTURAL COUNCIL MEETING WILL BE HELD ON APRIL 4 - 5 IN LUXEMBOURG. END SUMMARY.

2. THE COUNCIL OF AGRICULTURAL MINISTERS SPENT THE LION'S SHARE OF THEIR MARCH 6 TO 7 SESSION DEBATING AGRI-MONETARY MEASURES, PARTICULARLY THE RECENT INCREASE IN FRENCH MONETARY COMPENSATORY AMOUNTS (MCA'S). IN PRIVATE MEETINGS WITH COMMISSION OFFICIALS THE PREVIOUS WEEK, THE FRENCH AGRICULTURAL MINISTER HAD REQUESTED THAT MCA'S APPLIED TO FRENCH TRADE NOT BE INCREASED FROM 21.5 TO 23 PERCENT AS CALLED FOR BY THE COMMISSION'S WEEKLY ADJUSTMENTS, UNTIL AFTER THE FRENCH ELECTIONS. MCA'S ARE APPLIED AS A TAX ON FRENCH AGRICULTURAL EXPORTS. HE ARGUED THAT RECENT DEVALUATIONS OF THE FRENCH FRANC WERE THE RESULT OF SPECULATIVE RATHER THAN MARKET ACTIONS. IN ORDER THAT FRENCH FARMERS NOT BE UNFAIRLY PENALIZED, THE FRENCH SAID THEY WOULD HOLD MCA'S AT A LEVEL OF 21.5 PERCENT UNTIL AFTER MARCH 20, DESPITE THE COMMISSION'S RE-CALCULATIONS. IN AN ATTEMPT TO RESOLVE THE FRENCH MCA ISSUE, THE COUNCIL OF AGRICULTURAL MINISTERS ENTERED INTO RESTRICTIVE SESSION ON THE AFTERNOON OF MARCH 6. THE SESSION ENDED IN THE EARLY MORNING OF TUESDAY, MARCH 7 AND RESULTED IN THE FOLLOWING COMPROMISE:

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A) THE COUNCIL AGREED TO A 1.205 PERCENT DEVALUATION OF THE FRENCH GREEN RATE, WITH EFFECT FROM MARCH 8, 1978. THIS DEVALUATION WOULD KEEP THE MCA AT 21.5 PERCENT (A 1.5 PERCENT DECREASE FROM THE 23 PERCENT RATE CALCULATED BY THE COMMISSION). THE NEW VALUE OF THE FRENCH "GREEN" FRANC IS 0.166638 UNITS OF ACCOUNT;

B) IN ORDER TO MAINTAIN THE FRENCH MCA AT THE 21.5 PERCENT LEVEL FOR THE REMAINING WEEKS PRIOR TO THE FRENCH ELECTION, THE COMMISSION WILL CALCULATE, IN THE PERIOD UP TO THE END OF MARCH, THE WEEKLY MONETARY COMPENSATORY AMOUNTS ON THE BASIS OF THE RATES OF EXCHANGE OVER THE PRECEDING 3-WEEK PERIOD. THE POSSIBILITY OF CONTINUING A SYSTEM USING A LONGER REFERENCE PERIOD FOR CALCULATING WEEKLY MCA'S IS TO BE STUDIED BY THE COMMISSION AND REPORTED TO THE COUNCIL AT THE NEXT MEETING.

C) THE COMMISSION ALSO EXPRESSED ITS INTENTION TO SUBMIT, WITHIN THE FRAMEWORK OF THE CURRENT PRICE NEGOTIATIONS, ADDITIONAL PROPOSALS ON THE OPERATION OF THE MCA SYSTEM, PARTICULARLY IN THE PIGMEAT SECTOR. THE CALCULATION OF MCA'S FOR PIGMEAT IS A VERY IMPORTANT ISSUE FOR THE

FRENCH WHO DURING THE RESTRICTIVE SESSION, SUPPORTED BY THE U.K. AND ITALY, ARGUED AGAINST THE PRESENT METHOD OF CALCULATION OF MCA'S FOR PIGMEAT. THE PRESENT METHOD CALLS FOR MCA'S TO BE BASED ON 85 PERCENT OF THE BASE PRICE FOR PORK. THE FRENCH ARGUED THAT THE EXISTING SYSTEM MORE THAN OFFSETS DIFFERENCES IN GRAIN FEEDING COSTS AS BETWEEN THE VARIOUS MEMBER STATES WHICH RESULT FROM THE USE OF GREEN RATES. SINCE THE MCA ACTS AS AN EXPORT SUBSIDY FOR COUNTRIES WITH STRONG CURRENCIES, THE 85 PERCENTAGE RATE IN THE FRENCH VIEW, RESULTS IN UNFAIR

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COMPETITION WITHIN THE PIGMEAT MARKET IN FRANCE. CONSEQUENTLY, THE FRENCH PROPOSED THAT PIGMEAT MCA'S BE REDUCED BY ALMOST 50 PERCENT. ACCORDING TO THE U.K. MINISTER, MEMBER STATES WITH STRONG CURRENCIES CONCEDED THAT THE PRESENT CALCULATION OF PIGMEAT MCA'S COULD HAVE A DISTORTIVE TRADE EFFECT. HOWEVER, WHILE THE COUNCIL SEEMED GENERALLY DISPOSED TO MAKE SOME CONCESSIONS TO THE FRENCH ON THIS POINT, THE DANES, WITH SOME ENCOURAGEMENT FROM ONE OR TWO OTHER MEMBERS (PRESUMABLY THE DUTCH AND THE GERMANS), REFUSED TO MAKE ANY CONCESSIONS WITHOUT FURTHER COMMISSION STUDY OF THE PROBLEM. GUNDELACH HAS AGREED TO SUBMIT PROPOSALS ALONG THIS LINE AS PART OF THE CURRENT PRICE NEGO-

TIATIONS. A REDUCTION FROM 85 TO 70 IN THE PERCENTAGE OF THE BASE PRICE USED AS THE BASIS FOR THE CALCULATION OF PIGMEAT MCA'S WAS MENTIONED AS A POSSIBLE COMMISSION COMPROMISE PROPOSAL.

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3. DUE TO THE PROTRACTED RESTRICTED SESSION, THE COUNCIL DECIDED TO END THEIR MEETING BY NOON OF THE SECOND DAY OF MEETINGS WITHOUT ANY SUBSTANTIAL DISCUSSION OF THE 1978/79 PRICE PACKAGE OR THE MEDITERRANEAN REFORM PACKAGE, POSTPONING THE DAY OF DECISION TO WHAT ARE VERY LIKELY TO BE "MARATHON" SESSIONS DURING APRIL MEETINGS IN LUXEMBOURG.

4. THE COUNCIL BRIEFLY TOOK NOTE OF THE JUST SUBMITTED COMMISSION'S PROPOSALS IN THE BEEF AND VEAL, DAIRY AND STARCH SECTORS. THE PROPOSALS, DESCRIBED BRIEFLY IN REF (C) ARE BEING REPORTED IN DETAIL BY AIRGRAM. THEY WOULD, INTER ALIA, PROVIDE FOR A TEMPORARY SUSPENSION (FROM OCTOBER 1, 1978 TO MARCH 31, 1979) OF INTERVENTION BUYING OF NFD, INCREASE SUBSIDIES FOR NFD FOR CALF FEEDS, AND EXTEND THE SYSTEM OF PREMIUMS FOR THE NON-MARKETING OF MILK OR HERD CONVERSIONS. FOR BEEF AND VEAL, THE PROPOSALS RECOMMEND SUSPENSION OF INTERVENTION MEASURES FOR CERTAIN CUTS OF MEAT IN CERTAIN REGIONS DURING PERIODS WHEN THE PRICES EXCEED A SPECIFIED PERCENTAGE OF THE GUIDE PRICE IN THAT AREA. THE PARLIAMENT AND THE ECONOMIC AND SOCIAL COMMITTEE HAVE BEEN ASKED TO COMMENT ON THESE PROPOSED MEASURES.

5. BECAUSE OF THE ANTICIPATED DELAY IN CONCLUDING DISCUSSION OF THE 1978/79 PRICE PACKAGE, THE COUNCIL HAS EXTENDED UNTIL MAY 1, 1978 THE MARKETING YEAR FOR BEEF AND VEAL, DAIRY PRODUCTS AND DRIED FODDER. THE COUNCIL ALSO TOOK NOTE OF THE PROPOSAL TO EXTEND FEOGA ASSISTANCE TO UK BUTTER CONSUMPTION THROUGH APRIL AND AGREED TO TAKE A DECISION ON THE PROPOSAL AFTER HEARING FROM THE EUROPEAN PARLIAMENT.

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6. A BRIEF EXCHANGE OF VIEWS TOOK PLACE ON COMMISSION PROPOSALS (REF. B) RELATING TO MILK MARKETING BOARDS IN THE U.K. AND NORTHERN IRELAND. THESE PROPOSALS WOULD, WITH CERTAIN MODIFICATIONS, ALLOW THE MARKETING BOARDS TO CONTINUE FUNCTIONING. NEARLY ALL MEMBER STATES EXPRESSED SKEPTICISM AS

TO THE VALIDITY OF CONTINUING THE SCHEME IN THE U.K., PARTICULARLY SINCE MARKETING BOARDS IN THEIR TERRITORIES HAD BEEN PROGRESSIVELY DISMANTLED TO ACHIEVE "COMPATIBILITY" WITH THE CAP.

7. AFTER NOTING A REPORT BY THE SPECIAL COMMITTEE ON AGRICULTURE ON THE AMENDED PROPOSAL FOR A REGULATION CONCERNING PRODUCER GROUPS AND ASSOCIATIONS THEREOF, THE COUNCIL INSTRUCTED THE SPECIAL COMMITTEE ON AGRICULTURE TO CONTINUE ITS WORK ON THE MATTER SO THAT THE COUNCIL COULD DISCUSS IT AT A FUTURE MEETING.

8. A BRIEF EXCHANGE OF VIEWS TOOK PLACE ON THE COMMISSION GUIDELINES FOR THE DEVELOPMENT OF THE MEDITERRANEAN REGIONS ALONG WITH THE ALREADY SUBMITTED PROPOSALS ON AGRICULTURE. THE GREAT IMPORTANCE THAT THE ITALIANS AND FRENCH ATTACH TO THESE ISSUES WAS REAFFIRMED DURING THE BRIEF DISCUSSIONS WHICH CENTERED ON STRUCTURAL MEASURES AND ON THE ORGANIZATION OF THE MARKET IN FRESH AND PROCESSED VEGETABLES. HINTON

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